



## CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** Approve transfer of funds from Developer Deposit Account to Salvation Army "Reach Program"

**MEETING DATE:** April 7, 1993

**PREPARED BY:** Finance Director

**RECOMMENDED ACTION:** That the City Council authorize staff to pay a \$26,149 developer deposit to the Lodi office of the Salvation Army for use in the Reach Program.

### BACKGROUND INFORMATION

On April 25, 1990, the City entered into an agreement with J.W. Properties to have the City install electrical improvements at the Meadows, Unit 2, Lots 5-46 (copy attached). In consideration for this agreement, J.W. Properties paid the City the sum of \$67,320 to cover the cost of electrical installations and the City agreed to refund the developer the sum of \$28,829 at a rate of approximately \$300.00 per quarter (in accordance with a formula dependent on the number of connections and electric revenue as units were sold).

On November 6, 1992, J.W. Properties assigned their \$26,149 deposit refund to the Salvation Army (copy attached). At a rate of \$300.00 per quarter, it would require J.W. Properties 21.8 years to recover their deposit. Accordingly, Mr. John Cheney, the managing partner of J.W. Properties, requested staff to prepare the necessary papers to assign the deposit to the Salvation Army. The tax deduction is a greater benefit to the partners in J.W. Properties than the deposit based their ages and the number of years it will take get the deposit back.

The papers were prepared by the City Attorney and given to Mr. Cheney and the Salvation Army for approval and signature. Both parties agreed to the assignment and the signed papers were returned to the Finance Department in early December.

### REACH PROGRAM

The "Reach Program" managed by the Lodi office of the Salvation Army is funded by donations of Pacific Gas and Electric customers to assist qualified customers. Under this program, the Salvation Army assists Lodi utility customers on a once a year basis when they can not pay their electric bill due to economic hardship and their utilities are scheduled to be turned off for non-payment. In addition, the "Reach Program" allows concerned citizens to make tax deductible donation to assist the less fortunate utility customers pay their utility bills without using tax monies or raising rates to offset bad debt losses.

APPROVED: \_\_\_\_\_

THOMAS A. PETERSON  
City Manager




In past years, the Lodi office of the Salvation Army received approximately \$50,000 per year to assist Lodi residents. However, the donations to the program are down this year at a time when the need is greater due to the rising cost of utilities, the loss of jobs in the local economy and personal hardships.

#### **FINANCIAL IMPACT**

There is essentially no financial impact on the City by paying the deposit to the Salvation in full at this time. The deposit will be returned to the City as revenue to pay the utility bills of customer. What the City will lose in interest earnings will be offset a reduction in bad debt losses and the administrative burden of tracking this deposit for the next 22 years.

#### **CITY PROGRAM**

The City Council may wish to consider establishing a program similar to the program PG&E customers to allow City customers to make a tax deductible contribution to the "Reach Program" at the time they pay their City bill.

  
Dixon Flynn  
Finance Director

#### **Attachments**

Assignment dated November 6, 1992  
Developer Agreement dated April 25, 1990

cf Henry Rice, Electric Utility Director

(53)

*Exhibit A*

ELECTRICAL UTILITY AGREEMENT  
THE MEADOWS UNIT NO. 2

Supersedes Agreement dated March 21, 1988

THIS AGREEMENT made and entered into this 25th day of April 1990 by and between J. W. PROPERTIES hereinafter designed "Developer" and the CITY OF LODI, a municipal corporation located in the County of San Joaquin, State of California, hereinafter designated "City,"

W I T N E S S E T H:

WHEREAS, Developer contemplates the improvements of a certain tract of land known as THE MEADOWS, UNIT NO. 2, LOTS 5-46 (PART 1) AND LOTS 1-4 (PART 2); and

WHEREAS, Developer is desirous of having City install the definable portion of the electrical facilities to and within said Development; and

WHEREAS, City and Developer hereto are mutually desirous of providing for the manner and method of paying the cost of installing said facilities;

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, City and Developer hereto do hereby mutually covenant and agree as follows:

I

In the event that the electrical facilities are to be installed underground, then excavating and backfilling of the necessary trenches to the specifications of the City shall be the obligation of Developer. The coordination of the installation of the electrical facilities, along with the installation of other underground utility lines and street construction, shall be the obligation and responsibility of Developer.

#### IIa

City covenants and agrees to bring to and install within Part 1 all necessary electrical facilities, the installation within said Part 1 Development to be within the streets and easements provided for utilities. The City further agrees to install the connections from these electrical lines within the easement to the improvements to be erected within said Part 1 Development.

#### IIb

City covenants and agrees to bring to and install within Part 2 the first phase ('backbone' system) of the electrical facilities, the installation within said Part 2 Development to be within the streets and easements provided for utilities. It is expressly understood and agreed that this agreement does not contemplate nor cover the connections from these electrical lines within the easement to the improvements to be erected within said Part 2 Development, but only covers the 'backbone' system to the Part 2 Development (Phase 1) and within said easements. The electrical facilities within Part 2 must be further developed by third party (Phase 2) to bring electrical power to the improvements to be erected within Part 2.

#### III

Developer does hereby agree to pay the sum of \$67,320 to cover the cost of installing said electrical facilities. City agrees to refund to Developer the sum of \$28,829. Refunds to be made quarterly at the rate of 33% of revenue derived from the use of electrical power at commercial/industrial developments and \$2.50 per month for each residential connection made to the electrical facilities within said Part 1 and Part 2 Development following completion of refunds to third parties for Phase 2 electrical facilities within Part 2.

For purposes of computation, the number of connections in place and in use as of the end of each quarter shall be the basis upon which the refund for the quarter shall be made. Said payments shall continue until the entire sum of \$28,829 has been refunded to Developer, subject to paragraph IV. It is expressly understood and agreed that the obligation of City to repay Developer shall not include the payment of any interest whatsoever.

IV

In the event that at the end of 13 years from April 25, 1990, Developer has not been repaid the deposit in full, then and in that event, and commencing with the 14th year and annually thereafter, City shall charge an annual depreciation of ten percent (10%) on the balance of principal then remaining due and owing to Developer, and the amount due Developer shall be reduced accordingly by this amount of depreciation as of the start of said 14th year and continuing annually thereafter. In other words, commencing with the said 14th year, the obligation of City to repay Developer shall be reduced in an amount computed at the rate of ten percent (10%) on the amount of principal due and owing each year.

V

Nothing in this Agreement shall be construed as preventing City, at its option, from repaying Developer at a faster rate than the amount provided for herein.

**1**

VII

IN WITNESS WHEREOF, the parties hereto have set their hands the  
day and year first hereinabove written.

J. W. PROPERTIES,  
a Limited Partnership

By: John Cheney  
John Cheney, President of  
Sierra Nevada Land Company,  
Its General Partner

ASSIGNMENT

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THIS ASSIGNMENT is entered into this 6th day of November, 1992 by and between J. W. PROPERTIES, a limited partnership (hereinafter "Assignor"), the SALVATION ARMY OF LODI (hereinafter "Assignee"), and the CITY OF LODI, a municipal corporation (hereinafter "City"), and

W I T N E S S E T H:

WHEREAS, Assignor and City on April 25, 1990 entered into a reimbursement agreement for repayment of costs advanced by Assignor for installation of electric utilities, which reimbursement agreement is attached hereto as Exhibit A and incorporated by reference as if fully set forth herein; and

WHEREAS, under such agreement, City is obligated to pay to Assignor certain reimbursements on a periodic basis, as more particularly described in Exhibit A hereto; and

WHEREAS, Assignor now desires to assign and make a charitable gift of all rights and remaining reimbursements which come due under said agreement, to the Salvation Army of Lodi for the specific purpose as set forth below;

NOW, THEREFORE, BE IT AGREED AS FOLLOWS:

1. Assignor forever assigns, releases and remises without reservation to Assignee any and all reimbursement payments or other rights which are now or may in the future become due and payable from City under the terms of Exhibit A hereto.
2. Assignor directs and authorizes City to pay to Assignee, on the same terms, any payments due under Exhibit A, subject to all conditions of Lodi Municipal Code Chapter 16.40 and the covenants contained herein.
3. Assignor forever releases, saves, and holds harmless the City for any claims arising from payment by City of such obligations to Assignee in lieu of Assignor.

4. Assignee agrees that all sums received under this assignment shall be segregated and used only for emergency payment of electric bills of needy persons residing in the City of Lodi. Assignee shall have discretion to determine which, if any, residents of Lodi qualify for such payments.
5. It is understood that, except as to any rights or duties existing under Exhibit A, that no fiduciary relationship between City and either Assignee or Assignor is created hereunder. Both Assignee and Assignor have been advised to consult with their own attorneys if desired, regarding their respective rights or duties which may arise by way of this agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first hereinabove mentioned.

"CITY"

CITY OF LODI,  
a municipal corporation

\_\_\_\_\_  
THOMAS A. PETERSON  
City Manager

ATTEST:

\_\_\_\_\_  
Jennifer M. Perrin  
City Clerk

Approved As To Form:

\_\_\_\_\_  
BOBBY W. McNATT  
City Attorney

AGRSAL/TXTA.01V

"ASSIGNOR"

J. W. PROPERTIES,  
a limited partnership

By John Cheney  
"ASSIGNEE"  
SALVATION ARMY OF LODI

By \_\_\_\_\_



CITY OF LODI  
SPECIAL ALLOCATION REQUEST

TO: Finance Director

DATE: April 7, 1993

FROM: City Clerk

PROJECT NUMBER:

Request is made for funds to accomplish the following project which was not included in the current budget:

<u>Description of Project</u>	<u>Estimated Cost</u>
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Transfer of funds from Developer Deposit Account to Salvation Army "Reach Program"	
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\$26,149.00

Approved by the City Council - April 7, 1993

(If you need more space, use additional sheet and attach to this form)

FUND OR ACCOUNT TO BE CHARGED

Current Budget \$ \_\_\_\_\_ Prior Year Reserve \$ \_\_\_\_\_

Contingent Fund \$ \_\_\_\_\_ General Fund Surplus \$ \_\_\_\_\_

Capital Outlay Reserve \$ \_\_\_\_\_ Gas Tax Fund \$ \_\_\_\_\_

Utility Outlay Reserve \$ \_\_\_\_\_ Other (Election) \$ \_\_\_\_\_

Hotel/Motel Tax Reserve - \$ \_\_\_\_\_

General Fund Operating Reserve \$ \_\_\_\_\_

Dixon Flynn,  
Finance Director

  
Jennifer M. Perrin  
City Clerk

Submit this form in duplicate to the Finance Director. Distribution after approval will be as follows: 1) Originating Department 2) Finance Department

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CITY OF LODI  
SPECIAL ALLOCATION REQUEST

TO: Finance Director

DATE: April 7, 1993

FROM: City Clerk

PROJECT NUMBER: 16.0 - 601.01 - 623

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<u>Description of Project</u>	<u>Estimated Cost</u>
Transfer of funds from Developer Deposit Account to Salvation Army "Reach Program"	
	\$26,149.00

Approved by the City Council - April 7, 1993

(If you need more space, use additional sheet and attach to this form)

FUND OR ACCOUNT TO BE CHARGED

Current Budget \$	_____	Prior Year Reserve \$	_____
Contingent Fund \$	_____	General Fund Surplus \$	_____
Capital Outlay Reserve \$	_____	Gas Tax Fund \$	_____
Utility Outlay Reserve \$	_____	Other (Election) \$	<u>72.0 - 069.01</u>
Hotel/Motel Tax Reserve - \$	_____		
General Fund Operating Reserve \$	_____		

Dixon Flynn,  
Finance Director

*Jennifer M. Perrin*  
Jennifer M. Perrin  
City Clerk

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